

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/2)
BUTTER: Grade AA closed at \$1.6950. The weekly average for Grade AA is \$1.7050 (+.0092).

CHEESE: Barrels closed at \$1.4900 and blocks at \$1.5000. The weekly average for barrels is \$1.4840 (+.0040) and blocks, \$1.4860 (+.0235).

BUTTER: Cash butter markets continue to trade in a narrow range around \$1.70 per pound. Churning activity across the country is light to moderate. Milk production continues to run heavier than many anticipated for this time of the season. Low butterfat tests are recovering slightly, thus a better yield is starting to occur from the incoming milk. Some butter producers are stating that they are not seeing as much cream from standardizing milk for school needs as they had anticipated. Butter producers are hopeful that they will be able to acquire some additional cream volumes over the upcoming holiday weekend when Class II demand usually drops off. Butter stocks continue to trail last year at this time and are well below levels of two years ago. Overall demand is fair. The market is settling into the fall demand pattern that is normal for this time of the year. Retail orders are steady at fair levels, stimulated by an occasional feature. Food service orders are lower as buyers, especially in resort and vacation areas, work down their supplies as the summer vacation season comes to an unofficial end with the Labor Day holiday.

CHEESE: The cheese market is firm, though with an unsettled undertone. After about 2 weeks, the inverted price relationship turned normal with the block price increasing and surpassing barrels on August 31. The affect that Katrina will have on cheese sales and/or distribution patterns is unknown. Packaging and process operations will be closed an extra day over the holiday weekend, reducing bulk cheese needs. With the reopening of schools, mozzarella interest has improved. Interest for many other natural varieties has yet to consistently show the anticipated fall sales improvement. Swiss supplies remain tight. Aged cheddar demand has started to pick up. Cheese production is steady to lower. Plant milk intakes and cheese yields have started to recover where temperatures have cooled. Bottlers are drawing larger milk volumes to cover school milk needs.

FLUID MILK: Milk production in the US is about steady. The major impact from Hurricane Katrina is the newly created chaos in milk shipments and deliveries. Midwest shipments to the region are being rerouted and milk on the farm is being picked up as best as possible given the lack of infrastructure and fuel in the region. Class I demand continues to improve as bottlers fill school pipelines. Excess milk typically seen over the holiday weekend is not expected to be burdensome and adequately handled at manufacturing plants. Cream markets are mixed. Demand for cream early in the week was fairly decent but waning as the weekend approaches. With some ice cream facilities closing down for the holiday, more cream is available and filtering into churns.

DRY PRODUCTS: Dry products markets are trending steady to firm with the exception of the WPC 34% market that is reported as weak. Fuel surcharges are expected to rise in response to recent hikes in fuel prices. Surplus milk supplies available during the holiday weekend are expected to be adequately handled by dry dairy product facilities. NDM located in warehouses near or at the port of New Orleans may be reported as a loss due to Hurricane Katrina. The Mexican tariff on dairy blends may affect US NDM movement. Although the CCC announced the sale of 6,892,631 pounds of NDM, they also recently purchased 124,008 pounds of NDM from the West at \$1.0750 to \$1.1184 per pound. Whey and lactose supplies are tight at steady to higher prices. WPC prices are trending lower as a result of reduced demand and increased availability of substitutes.

CCC: During the week of August 29–September 2, there were no price support purchases. However, under Invitation 202 to Announcement M13, CCC purchased 124,008 pounds of NDM from the West at a price of \$1.0750 - \$1.1184 per pound.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS):

The following are the August 2005 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$13.95 (+\$0.16), Class III \$13.60 (-\$0.75), and Class IV \$13.44 (+\$0.27). Product price averages used in computing Class prices are: butter \$1.6355, NDM \$0.9601, cheese \$1.4322, and dry whey \$0.2869. The Class II butterfat price is \$1.8316 and the Class III/IV butterfat price is \$1.8246. Further information may be found at:

www.ams.usda.gov/dyfmios/mib/classprcacnmt.pdf

AUGUST AGRICULTURAL PRICES HIGHLIGHTS (NASS):

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2005 was unchanged at 141. Compared with August 2004, the index was up 6 points (4.4%). The index of prices received by farmers for dairy products was unchanged during the month of August 2005 at 113. Compared with August 2004, the index was down 1 point (0.9%). Prices received by farmers in August with changes from July were: for All Milk, \$14.70, down \$.10; Fluid Grade Milk, \$14.80, down \$.10; and for Manufacturing Grade Milk, \$14.00, down \$.20.

CONSUMER PRICE INDEX (BLS): The CPI for all food is 190.8, up 2.1% from July 2004. The dairy products index is 181.6, down 3.2% from a year ago. The following are the June-to-June changes for selected products: fresh whole milk is -8.6%; cheese, -1.8%; and butter, -9.8%.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first half of 2005 totals 86.7 billion pounds, 1.6% above the same period in 2004. Comparing disappearance levels with year earlier levels: butter is -0.5%; American cheese, +0.8%; other cheese, +4.0%; NDM, +3.0%; and fluid milk products, N.C.

****SPECIALS THIS ISSUE****

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 AUGUST MONTHLY SUMMARY AND AVERAGES (PAGES 9 - 11)

AUGUST AGRICULTURAL PRICES HIGHLIGHTS (PAGE 12)
 JULY CONSUMER PRICE INDEX (PAGE 13)
 COMMERCIAL DISAPPEARANCE (PAGE 13)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY AUGUST 29	TUESDAY AUGUST 30	WEDNESDAY AUGUST 31	THURSDAY SEPTEMBER 1	FRIDAY SEPTEMBER 2	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4800 (N.C.)	\$1.4900 (+.0100)	\$1.4900 (N.C.)	(+.0100)	\$1.4840 (+.0040)
40# BLOCKS	\$1.4700 (N.C.)	\$1.4700 (N.C.)	\$1.4900 (+.0200)	\$1.5000 (+.0100)	\$1.5000 (N.C.)	(+.0300)	\$1.4860 (+.0235)
BUTTER GRADE AA	\$1.7000 (N.C.)	----	\$1.7200 (+.0200)	----	\$1.6950 (-.0250)	(-.0050)	\$1.7050 (+.0092)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2. NOTE: The CME is closed on 9/5.

CHICAGO MERCANTILE EXCHANGE

MONDAY, AUGUST 29, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.4800; 1 CAR 40# BLOCKS @ \$1.4700; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4800; OFFERS UNCOVERED: NONE

BUTTER — SALES: 13 CARS GRADE AA: 2 @ \$1.6875, 2 @ \$1.6900, 2 @ \$1.6950, 1 @ \$1.6925, 1 @ \$1.7000, 2 @ \$1.6975, 3 @ \$1.7000; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.6800, 2 @ \$1.6700; OFFERS UNCOVERED: NONE

TUESDAY, AUGUST 30, 2005

CHEESE — SALES: 3 CARS BARRELS @ \$1.4800; 1 CAR 40# BLOCKS @ \$1.4700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 31, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4800; 3 CARS 40# BLOCKS: 2 @ \$1.4900, 1 @ \$1.4700; OFFERS UNCOVERED: NONE

BUTTER — SALES: 15 CARS GRADE AA: 3 @ \$1.7000, 1 @ \$1.7025, 3 @ \$1.7050, 1 @ \$1.7100, 1 @ \$1.7075, 1 @ \$1.7100, 1 @ \$1.7125, 1 @ \$1.7150, 1 @ \$1.7100, 1 @ \$1.7150, 1 @ \$1.7200; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.6600, 1 @ \$1.6500, 1 @ \$1.6400; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.7300

THURSDAY, SEPTEMBER 1, 2005

CHEESE — SALES: 4 CARS BARRELS: 3 @ \$1.4800, 1 @ \$1.4900; 3 CARS 40# BLOCKS: 2 @ \$1.4900, 1 @ \$1.5000; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4900; 3 CARS 40# BLOCKS: 2 @ \$1.5000, 1 @ \$1.4900; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 2, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.5000; OFFERS UNCOVERED: NONE

BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.7050, 1 @ \$1.7000, 1 @ \$1.6950; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.6600; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.6975, 2 @ \$1.7000, 1 @ \$1.7100, 2 @ \$1.7200

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).

BUTTER MARKETS

NORTHEAST

The butter market remains unsettled. The cash price at the CME is still reluctant to push through the \$1.70 level. A few trades have been made fractionally above that figure, but the price (through 8/29) has not settled above \$1.70 since August 15 and that lasted only until the next trading session. Contacts are a little surprised/confused about how or why this “barrier” was determined. Many feel the futures market has had more to do with it than supply and demand. Churning activity remains light, but demand from Class II cream users will likely decline this week or next. Demand for bulk butter remains fair. Butter inventories at producing plants are adequate to meet needs. Retail sales and food service orders are mostly steady. The Eastern Shore’s restaurants will see a marked decrease in traffic after this holiday weekend. Retailers are preparing for the year-end holidays and placing orders for anticipated needs. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter market has recorded a firm tone in recent trading sessions. Although the cash price increased 2 cents to \$1.7200 at midweek, many producers and handlers do not foresee significant future price strength. Churning activity is seasonally fair, although some butter producers would like to see more cream coming their way. Milk production continues to run heavier than many anticipated for this time of the season. Low butterfat tests are recovering slightly, thus a better yield is starting to occur from the incoming milk. Stocks of butter continue to trail last year at this time. Although stocks are often not at desired levels, many producers and handlers are not overly

concerned about supply levels for the balance of the year. Butter demand is fair at best. Retail orders are seasonally fair, stimulated by occasional feature activity. Food service orders are lower as buyers, especially in resort and vacation areas of the Central part of the country, work down their supplies as the summer vacation season comes to an unofficial end with the Labor Day holiday. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME continue to stay near the \$1.70 mark. That level does seem to be a resistance point and when ever the market breaks through it does seem to settle back below in a short period of time. The market closed at \$1.72 at midweek and contacts are wondering if it will hold this time. Contacts feel that the fundamentals are there to support a move higher. The market is settling into the fall demand pattern that is normal for this time of year. Resort areas are slowing and food service and retail are picking up slowly. Some “two for” features activity is noted, but it is very limited. Stocks of butter range from in balance to tight. Some operations had hoped to have more butter put away for fall needs by now. A number of contacts have stated that they are not seeing as much cream from standardizing milk for school needs as they had anticipated. CME weekly butter stocks fell by 2.4 million pounds last week to stand at 82.2 million pounds. Last year, stocks were at 94.1 million pounds. However, last year the rate of draw down greatly accelerated at this time so that the totals may cross over once again. Two years ago, stocks were 173.9 million pounds. Bulk butter prices range from 1 cent under to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEKENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
AUGUST 27	1.4073	1.4326	0.9610	1.6738	0.2897
	7,951,856	8,684,928	11,867,087	3,531,735	10,034,388

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are generally higher on both natural and process items. The market tone is firm. Contacts continue to comment about the CME cash price for barrels remaining above the price for blocks. Through August 29, this inverted price pattern has held for nine straight sessions. Cheese production in the Northeast is mixed. Some plant contacts report getting less milk and lower production schedules. Others, like some mozzarella makers, have added shifts to meet anticipated demand improvement now that colleges are back in session. Retail and food service orders are mostly steady, but food service buying patterns will probably switch from summer/resort areas back to urban areas after the Labor Day weekend.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5425-2.0625
Cheddar Single Daisies	:	1.5000-1.9750
Cheddar 40# Block	:	1.6025-1.8725
Process 5# Loaf	:	1.6900-1.8975
Process 5# Sliced	:	1.7100-1.9350
Muenster	:	1.6150-1.8150
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is about steady though unsettled. Various traders are talking about price expectations both higher and lower through yearend. Current cheese demand is moderate with most packagers able to acquire needed volumes with minimal effort. Process movement is moderate though often slower from summer vacation destinations. Aged cheddar interest has started to improve seasonally with buyers still interested in putting additional volumes away. Fairly good demand continues on most non-cheddar American natural varieties. Mozzarella interest is steady to improved with generally good interest noted in provolone for some producers. Milk production remains over year ago levels and cheese production schedules remain heavier than usual. Many plants ship milk to bottlers under supply agreements and, for most operations; the volume has been minimal thus far. Some sellers are wondering about the affect that Katrina may have on distribution and sales into the Southeast.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6800-1.9700
Brick And/Or Muenster 5#	:	1.9800-2.0125
Cheddar 40# Block	:	1.8125-2.2650
Monterey Jack 10#	:	2.0300-2.2650
Blue 5#	:	2.3075-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6400-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8700

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
08/29/05	44,788	: 144,559
08/01/05	50,862	: 149,286
CHANGE	-6,074	: -4,727
% CHANGE	-12	: -3

WEST

The barrel/block inversion at the CME cash cheese market corrected itself today with blocks closing at \$1.49. The inversion had lasted about ten trading sessions which is longer than usual. The block price has not been this high since mid-July. Demand for barrels and blocks is excellent with offerings absorbed very quickly. Barrels remain in the tightest position. Some operations are moving milk out of block production into barrels. Buyers are trying to position themselves for the improving fall demand period. Mozzarella demand is picking up seasonally as schools resume for the fall term. Production is higher and stocks have tightened up from spring levels. Swiss sales are strong. Production is anticipated to increase this fall. Milk available to cheese plants is about normal for the start of the school season. Milk is generally above last year. A number of plants are buying outside milk to keep production patterns at desired levels.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6325-1.8900
Cheddar 40# Block	:	1.5825-1.9350
Cheddar 10# Cuts	:	1.7625-1.9825
Monterey Jack 10#	:	1.7725-1.9325
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are steady to higher and the market tone is unchanged. As Labor Day generally marks the end of summer, shopping habits will likely return to more normal patterns, which may help increase retail sales of imported/foreign-type cheeses. Supplies are mostly adequate to cover current needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.8550-3.3450*
Gorgonzola	: 3.6900-6.0900	: 2.3675-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2700-3.3775*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.8575-2.0925*
Romano (Cows Milk)	: -0-	: 3.0525-5.1975*
Sardo Romano (Argentine)	: 2.8500-3.2900	: -0-
Reggianito (Argentine)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	255	0	226	0	182	0
SOUTHEAST STATES	91	0	91	0	40	0

This week, it's all about Katrina and the widespread devastation She left behind. Property damage and loss of power were significant as She passed over Southern Florida, but nowhere near what She did to Louisiana and Mississippi. Some plants in and around the Miami area were without electricity for periods of time ranging from 10-14 hours up to three days. With New Orleans about 80% flooded and widespread flooding in surrounding areas, transportation and services have been brought to a standstill. Electrical power in many areas is expected to be lost for many days, if not weeks. Phone service is out in many areas and one contact commented that he has not yet been able to contact one of his plants that was in the Hurricane's path. Farm milk is being picked up as best as possible, but with flooded/washed out roads and bridges plus downed trees and power lines haulers are unable to reach some farms. Contacts comment that they are working as best they can to get to all their farmers. Having a spot to ship the milk is another story. Balancing plants have been reopened, but some of these are jammed with milk and, depending on the geography of their customer base, some have no where to send the finished product. With stores shut down or destroyed, there is no outlet for bottled milk, other perishable products, and other necessities. Florida's milk needs continue and imports continue. Haulers, particularly from the Southwestern suppliers are being rerouted around the storm-damage areas. This adds miles, time, and cost to the trip. Grade A milk shipments into other Southeastern states also continue. Fuel availability is also an issue around New Orleans. Nearly all supplies were exhausted by the people evacuating the area. At the farm level, it is not known how much fuel to run generators and feed for the animals some operations have on hand. Also, the destruction of grain, grass/pastures, and other feedstuffs will have long-term effects on the milk production trends. The stress on the milking herd will likely slow output, but it will be some time before the impact is known. Milk output is about steady in Florida, but little or no information is available for the storm areas. Katrina dumped a lot of rain up through the Ohio Valley and into New York and New England at mid week. Some localized flooding was noted, but presented few milk production/hauling problems. Milk production is mostly steady in the Northeast. Bottlers are gearing up for school lunch needs as nearly all schools should be back in session by the end of next week. Manufacturing plants in the Northeast are getting less milk because of the improved Class I demand. The condensed skim market is little changed. Demand ranges from fair to good and most sales are to fill contractual agreements. The fluid cream market is mixed. Supplies started tight and moved to ample for late-week sales. The Labor Day weekend typically has ice cream producers slowing output to meet the slower, post-holiday demand. Most will be down an extra day this weekend. Also, it was noted that a good-sized ice cream operation will cease operations next week and have its output merged into other plants. Therefore, more cream is on the market and multiples are steady to slightly lower. Standardizing at bottling plants is again providing cream to the market. This is a typical, school-year pattern. Churning activity is increasing at some locations.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2724-2.4582
DELIVERED EQUIVALENT ATLANTA	-	2.2724-2.4589 M 2.3063-2.3741
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.0519-2.3741

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0000-1.0700
NORTHEAST- CLASS III - SPOT PRICES	- 1.0800-1.1400

M I D W E S T

Class I demand is steady to heavier in areas where schools have reopened. Some additional schools started on the first of the month with the balance to start after the holiday. A few bottlers hit handlers with heavier late week orders with the biggest problem the short lead time. The holiday weekend was not expected to cause any major problem aside from the usual schedule adjustments. Besides the usual milk shippers into the Southeast, several extra loads of milk were shipped from Wisconsin and Iowa to Kentucky before the real affect from Katrina was known. Manufacturing milk interest is uneven. Reported spot milk prices range from around \$1.20 to \$1.50 net fob, though with rapidly escalating fuel prices and

surcharges, the actual net prices may be a bit lower even though the delivered prices are steady to higher. Cream demand was steady early in the week but slowed by midweek and for the upcoming holiday weekend. Most bottlers and ice cream manufacturers will be closed an extra day for the upcoming holiday. At least one bottler/ice cream maker was selling cream rather buying, at least for the upcoming holiday weekend. Ice cream plant schedules were generally lighter and expected to slow further in upcoming weeks. Fat and protein levels remain at low summer levels though a few reports of slight rebounds noted. Fields of corn are disappearing into silos/bags/pits in the upper tier of states as the above normal summer temperatures pushed corn maturity along. More corn has dented than usual in many areas. A late hay cutting is also occurring with soybeans turning color and/or dropping leaves. Many states in the upper tier remain several inches behind normal on precipitation for the year.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 25 - 31	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 53.00	\$ 53.00- 58.00
REPLACEMENT HEIFER CALVES	\$400.00-700.00	\$390.00-650.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUG 25 - 31	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 55.00	\$ 53.00- 60.00

W E S T

August hay prices as surveyed by USDA are higher than last year in the region. The U.S. price averaged almost \$100 per ton, up almost \$10 from last year. Prices and changes from last year are as follows: California \$130 up \$22, Idaho \$109 up \$1, New Mexico \$130 up \$13, and Washington \$112 up \$8. July 2005 POOL RECEIPTS of milk in CALIFORNIA total 2.96 billion pounds, 0.6% higher than last year. The July blend price, at a fat test of 3.56%, is \$13.75, 40 cents higher than May but 11 cents less than July 2004. The percentage of receipts used in Class 1 products is 14.29%. The July quota price is \$14.99 and the over quota price is \$13.29. These prices are 43 cents higher than June but 4 cents less than a year earlier. CALIFORNIA milk production trends vary depending on location. Class 1 orders remain good as school milk programs are filled and also to a higher demand from retailers. No problems are expected handling and placing milk over the upcoming holiday weekend. Hot temperatures in the South were common and topped 100 degrees. The effects pushed milk lower and had plants scrambling for milk supplies to fill their needs. Cheese producers would like more milk and are looking for additional supplies. More moderate weather conditions in the Central Valley were common and milk output trended a few percentage points higher. Processors welcomed extra milk to help fill schedules and orders. ARIZONA saw the return of hot and humid conditions. Daytime highs topped 110 degrees and remained hotter than normal at night. Production had improved before the heat, but was often a few percent lower after the effects. Rainstorms in parts of the state left producers without electricity for a time. This impacted cows, which lost heat abatement measures. Bottled milk orders were often lower and may be more of a reflection of stronger sales last week. The milk supply in NEW MEXICO has tightened following cycles of rain and heat across the state. Milk shipments to Southeast plant accounts were affected by Hurricane Katrina, but loads were shuffled around to find processing homes. The rains have also impacted hay harvest on the east side. Rained on and black hay were being harvested with little feed value and low prices. The moisture is expected to help regrowth for the next crop. CREAM markets are mixed heading into the holiday weekend. Supplies range from in balances to slightly long, but vary depending on location and day of the week. The CME butter price moved 2.75 cents higher from a week ago to close at \$1.72. Western FOB multiples are moving high higher and range from 122 to 135, and vary depending on class usage and basing point. Fuel surcharges and add-ons are making the cost of hauling higher. The PACIFIC NORTHWEST is noting good late summer/early fall weather conditions. Milk output seems to be holding steady with the occasional bounce back noted. Tests are not going any lower and some indicate that they may be coming back somewhat. Manufacturing plants are running well in the region and both butter and cheese plants are happy to get all the milk they can for the improving fall demand product season. Weather conditions in UTAH and IDAHO are close to ideal for milk production. The milk flow is coming back somewhat and tests are improving slowly. Some manufacturing plants do need some additional milk and they are having no trouble finding it. The draw from the fluid side has picked up as schools begin their fall sessions. In general, milk supplies are heavier than one year ago. Forage supplies continue to be more expensive than last year and the quality is not as good as dairies had hoped for. With grain prices lower, this allows producers to rebalance rations to better utilize these lower test forages. Heifer prices in the region had moved down to \$1950 a few weeks ago on average, but now they have increased back up to \$2125. Offerings remain light.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a mostly steady market. Excess loads of low heat NDM are not readily cleared in the market. Buyer resistance is noted at the lower end of the range on a spot basis. Some producers are encouraging buyers to contract NDM for the fourth quarter now as they promise to otherwise export excess supplies of NDM. Traders are skeptical of the market and somewhat expecting market prices for NDM to weaken as alternative sources of NDM appear on the international market, allowing international demand and supplies to become more balanced. Some traders placed bids on the CCC NDM invitation for 6,892,631 lbs of NDM to displace higher priced manufacturer supplies. Potential losses of low heat NDM stored in warehouses near the Gulf of Mexico are reported. Production of low heat NDM is mostly steady and higher than anticipated at this time of year. High heat NDM supplies are limited for the good interest.

EAST: Prices are steady to fractionally lower as the NASS weekly average (the basis for most NDM sales) moved \$.004 lower. However, beginning September 1, the major NDM supplier in the U.S. did increase the energy surcharge by approximately \$.005. The market tone is unchanged, but Hurricane Katrina has greatly disrupted milk and dairy product movement into and out of the Gulf Coast areas. Plants in that area are without power and flooded roads make it impossible to get trucks to the plant. As of Wednesday, buyers who have powder to pickup this week have not been able to communicate with some plants nor can the trucks get into most of those plants. Production levels in the Northeast are often lighter as improving Class I demand is pulling more milk away from butter/powder plants. Contacts feel that Labor Day weekend will offer no surprises or problems with milk processing. Producer stocks range from light to ample. Demand for NDM is fairly steady, but rising prices have more buyers looking to the resale market to fill spot needs.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .9800 - 1.0425 MOSTLY: .9900 - 1.0150
 HIGHHEAT: 1.0175 - 1.1000

NONFAT DRY MILK - WEST

Prices for Western low/medium nonfat dry milk are mixed. Some prices are lower within the range and mostly, while prices moved higher on the top end of the range. The top end of the range reflects sales to the government under competitive bid converted to FOB equivalent. The CCC announced on August 31 the award of a bid for 124,008 pounds of nonfortified NDM with delivered prices ranging from \$1.0750 to \$1.1184 per pound. Current supplies are steady at light to moderate levels. There are offerings of older and current powder available in the resale market. Production of NDM is likely to remain lower that year ago levels as producers make other products such as SMP, MPC and blends. The industry is still gauging the effects that the Mexican tariff on dairy blends will have on export volumes and processing needs. Export volumes are stated to be building. There are concerns for export powder that was in locations in the Gulf Coast hit by Hurricane Katrina. Western high heat prices are mostly steady to lower on the top end of the range. Supplies are tighter as production levels have slowed. Several producers are not making high heat and do not plan to in the near future. Inventories are light and mainly committed.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .9300 - 1.0500 MOSTLY: .9350 - .9725
 HIGHHEAT: .9700 - 1.0050

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 26	\$.9445	5,146,633	0
August 19	\$.9437	7,156,569	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady market. Spot trade activity is very light with most movement reported on contracts. Offerings are noted at both discounts and premiums to the current average. Production of condensed buttermilk is generally steady with continued good interest from Class II users. Dry buttermilk production is light and seasonal with some expected production increases in response to increased milk and cream intakes at some churns over the holiday weekend.

F.O.B. CENTRAL: .9500 - 1.0450

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices remain steady on an unchanged market. Northeastern prices remain nominal. Churning activity is increasing slowly as we near the Labor Day weekend and more cream is available due to increased standardization and slower demand for Class II cream. Demand for dry buttermilk is mostly steady and producer stocks are light. In some instances, heavier than desired volumes of off-grade powder are available for the slow to fair demand. Demand for liquid buttermilk ranges from steady to seasonally slower.

F.O.B. NORTHEAST: .9500 - 1.0050
 DELVDSOUTHEAST: .9800 - 1.0600

DRY BUTTERMILK - WEST

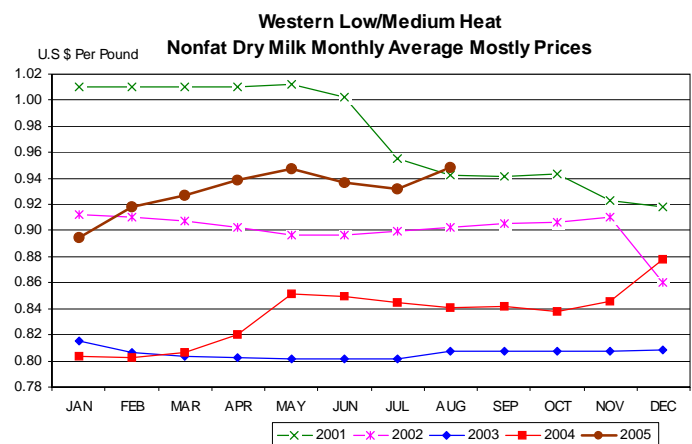
The Western dry buttermilk market is holding mostly steady. Prices have changed little over the past few weeks and supply and demand are in balance. Producer offerings are available with continued active churning in the region providing solids to be dried. Buying interest from ice cream accounts is slowing and demand from some bakery accounts is building slightly. Producers' inventories are light to moderate. Resale movement of dry buttermilk is limited.

F.O.B. WEST: .9150 - .9650 MOSTLY: .9200 - .9250

DRY WHOLE MILK - NATIONAL

Prices are unchanged and nominal. Production levels remain light and geared to filling contracts. Plant stocks are light and closely balanced. Demand is just fair. Imported powder continues to be available at competitive prices.

F.O.B. PRODUCING PLANT: 1.3125 - 1.4950



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to higher on a firm market. Spot trade activity is very light. Some plants report that they are sold out for the month of September. Most movement is occurring on contracts to end-users or brokers. Resale trade is also light with prices generally noted at a premium and price resistance noted by some buyers. Production is steady with some anticipated increases during the holiday weekend. Milk replacer quality whey supplies are limited for the good feed interest. Most feed users are opting to instead purchase lower cost dry whey permeate or lactose where available.

F.O.B. CENTRAL: .2825 - .3000 MOSTLY: .2825 - .2975

F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2500 - .2700

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices, following those in the Central region, continue to increase slowly. However, traders comment that sales direct from producers are lighter than they would expect when prices are rising. Some traders note that they are having trouble getting (delays) contracted loads. Also, they comment that for as tight as the supply appears to be, buyers are not showing any improvement in demand, particularly on the food market. Typically, spot buyers are more active on a rising market, but that does not seem to be the case at this time. Animal feed makers are taking "decent" volumes for their continued good animal feed sales. Production levels are light to slightly higher as some cheese plants are increasing cheese output for anticipated fall needs. The market tone is unchanged and Northeastern prices remain nominal.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2950 - .3075

DELVD SOUTHEAST: .3150 - .3350

DRY WHEY - WEST

Both range and mostly prices for Western whey powder are steady to as much as one cent higher. There is a firm undertone to the market. Stocks are balanced to tight. Demand is strong and improving as fall approaches which is normally an improved demand time of year. Exports continue to be shipped at a normal rate. Production is down seasonally, but the milk supply is generally ahead of last year. Stocks are balanced to tight.

NONHYGROSCOPIC: .3000 - .3400 MOSTLY: .3100 - .3200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Trade activity is reduced compared to the week prior. Producers that previously reported prices at a premium to the market are now content offering at the average to sometimes lower. Some buyers and traders are hesitant to purchase additional supplies until the market settles. Some feed buyers are slow to pick up their loads as feed demand is slower than anticipated. WPC 80% remains an attractive substitute to WPC 34%. Production of WPC 34% is steady with some anticipated increases during the holiday weekend.

F.O.B. EXTRA GRADE 34% PROTEIN: .8575 - .8925 MOSTLY: .8625 - .8825

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Spot trade is limited. Most producers report tight supplies for the good interest. A few contracts for fourth quarter have settled at higher prices. Higher fuel surcharges are expected during the fourth quarter that may or may not affect demand. Production is mostly steady yet higher than levels produced at this time last year. Some increased production is expected over the holiday weekend. Candy makers are steadily pulling loads off of their contracts and occasionally acquiring extra loads in preparation for the fall/winter holiday season. Feed interest is good for the lower mesh sized lactose into both domestic and export markets.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1875 - .2400 MOSTLY: .1900 - .2150

CASEIN - NATIONAL

Casein markets are generally steady at unchanged prices. Traders and handlers are negotiating fourth quarter contracts and some are reaching into first quarter of 2006. Within the negotiations, prices are trending slightly lower, but remain firm and higher than they were paying last year during the fourth quarter. Stocks appear to be available from European suppliers and still questionable from Oceania. Some domestic buyers did reformulate the casein component out of or reduced its' presence when supplies tightened and prices increased. Now suppliers are trying to encourage buyers to reintroduce casein back into their products with mixed results.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.4500

ACID: 3.2700 - 3.4000

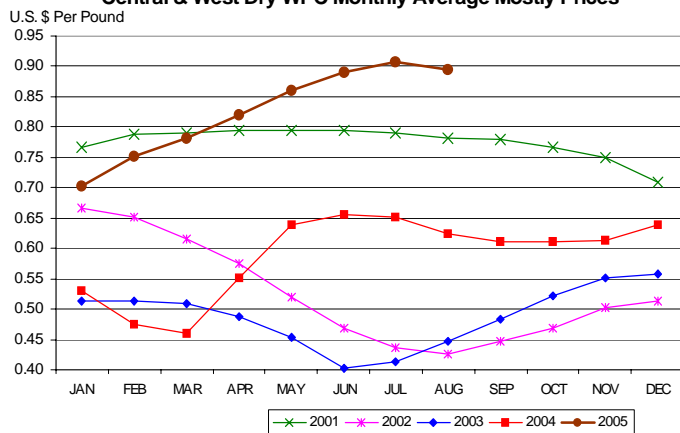
EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are easing slightly. Demand for canned evaporated milk is seasonal, but shipments into the hurricane ravaged areas have all but ceased until the roads into those areas become passable. When stores in and around New Orleans reopen, it is likely that orders/deliveries will be heavy as stores restock.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

Central & West Dry WPC Monthly Average Mostly Prices



CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	08/17	08/18	08/19	08/22	08/23	08/24	08/25	08/26	08/29	08/30
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 05	13.61 (3000) 0	13.60 (3000) 0	13.58 (3000) 1	13.55 (2990) 8	13.58 (2951) 163	13.59 (2955) 13	13.58 (2953) 26	13.60 (2946) 5	13.59 (2946) 1	13.59 (2936) 0
SEP 05	13.98 (3569) 262	13.80 (3534) 96	13.95 (3524) 46	14.04 (3513) 64	14.04 (3488) 78	13.81 (3437) 152	14.28 (3516) 185	14.20 (3524) 63	14.20 (3507) 86	14.25 (3510) 197
OCT 05	13.86 (2539) 190	13.67 (2543) 108	13.75 (2536) 25	13.85 (2517) 36	13.80 (2485) 78	13.65 (2479) 124	14.15 (2507) 77	14.08 (2511) 59	14.09 (2526) 119	14.22 (2567) 132
NOV 05	13.47 (1807) 100	13.32 (1790) 60	13.40 (1790) 6	13.45 (1791) 4	13.35 (1816) 82	13.23 (1816) 65	13.50 (1812) 22	13.42 (1812) 1	13.42 (1806) 14	13.48 (1800) 68
DEC 05	13.35 (1694) 56	13.18 (1695) 15	13.18 (1697) 7	13.18 (1686) 21	13.18 (1701) 60	13.08 (1702) 18	13.20 (1704) 8	13.18 (1705) 1	13.18 (1717) 26	13.21 (1718) 6
JAN 06	12.75 (1028) 58	12.65 (1040) 19	12.65 (1042) 9	12.70 (1043) 7	12.69 (1067) 30	12.60 (1067) 19	12.61 (1083) 27	12.56 (1083) 2	12.56 (1088) 25	12.58 (1093) 7
FEB 06	12.60 (902) 77	12.53 (908) 6	12.53 (911) 7	12.55 (913) 2	12.51 (925) 34	12.40 (938) 21	12.38 (960) 43	12.28 (964) 9	12.40 (985) 46	12.40 (985) 8
MAR 06	12.62 (889) 55	12.52 (897) 13	12.55 (907) 14	12.58 (908) 1	12.58 (920) 28	12.50 (930) 19	12.50 (958) 34	12.40 (957) 6	12.40 (980) 45	12.40 (981) 9
APR 06	12.61 (808) 35	12.53 (819) 15	12.49 (821) 8	12.55 (821) 1	12.50 (834) 27	12.33 (836) 19	12.33 (879) 51	12.30 (884) 9	12.33 (907) 49	12.35 (908) 8
MAY 06	12.63 (730) 36	12.55 (731) 25	12.55 (735) 10	12.59 (736) 2	12.55 (748) 20	12.45 (757) 25	12.42 (785) 34	12.42 (794) 10	12.44 (815) 46	12.46 (815) 8
JUN 06	12.82 (694) 43	12.75 (721) 27	12.74 (726) 8	12.76 (727) 1	12.76 (736) 22	12.75 (747) 24	12.68 (767) 30	12.62 (768) 2	12.62 (792) 46	12.67 (797) 12
JUL 06	13.19 (521) 12	13.18 (554) 34	13.18 (542) 2	13.20 (542) 1	13.23 (554) 19	13.16 (557) 6	13.16 (571) 15	13.16 (571) 2	13.18 (595) 46	13.20 (592) 5
AUG 06	13.24 (474) 16	13.24 (501) 27	13.24 (490) 4	13.26 (491) 1	13.28 (498) 25	13.24 (502) 6	13.24 (514) 16	13.24 (515) 1	13.24 (537) 42	13.25 (537) 9
SEP 06	13.54 (509) 26	13.53 (516) 9	13.53 (502) 0	13.53 (502) 1	13.55 (512) 10	13.50 (548) 42	13.50 (559) 15	13.50 (560) 1	13.50 (584) 44	13.55 (584) 4
OCT 06	12.96 (475) 6	12.97 (477) 10	12.97 (465) 0	12.97 (467) 3	13.00 (475) 17	12.97 (477) 4	12.97 (489) 12	12.95 (490) 1	12.96 (513) 47	13.00 (511) 5
NOV 06	12.84 (431) 1	12.84 (434) 6	12.84 (435) 4	12.84 (435) 0	12.84 (440) 10	12.80 (446) 11	12.80 (464) 20	12.75 (464) 1	12.77 (486) 41	12.80 (485) 8
DEC 06	12.79 (453) 6	12.79 (456) 7	12.79 (456) 0	12.79 (459) 3	12.84 (464) 10	12.79 (466) 10	12.79 (491) 28	12.77 (491) 1	12.77 (513) 40	12.81 (512) 10
JAN 07	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0	12.69 (54) 0
FEB 07	12.54 (45) 0	12.54 (45) 0	12.54 (45) 0	12.54 (45) 0	12.54 (47) 2	12.48 (47) 0	12.48 (47) 0	12.45 (47) 0	12.45 (47) 0	12.45 (47) 0
MAR 07	12.55 (43) 0	12.55 (43) 0	12.55 (43) 0	12.55 (43) 0	12.55 (43) 0	12.55 (43) 0	12.50 (43) 0	12.50 (43) 0	12.50 (43) 0	12.50 (43) 0
APR 07	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0
MAY 07	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
AUG 05	13.25 (22) 0	13.25 (22) 0	13.25 (20) 0	13.25 (20) 0	13.25 (20) 0	13.25 (20) 0	13.30 (20) 0	13.30 (20) 0	13.30 (20) 0	13.30 (20) 0
SEP 05	13.25 (23) 0	13.25 (23) 0	13.25 (21) 0	13.25 (21) 0	13.25 (21) 0	13.25 (21) 0	13.30 (21) 0	13.30 (21) 0	13.30 (21) 0	13.30 (21) 0
OCT 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0
NOV 05	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0
DEC 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 05	165.00 (413) 11	165.25 (395) 34	168.25 (383) 25	169.00 (378) 6	168.50 (362) 21	166.75 (348) 18	166.00 (317) 33	168.00 (303) 19	167.00 (289) 31	166.25 (280) 37
OCT 05	165.00 (362) 0	165.00 (370) 18	168.50 (367) 15	168.00 (368) 1	168.25 (376) 13	167.00 (376) 0	166.50 (380) 31	168.00 (377) 7	167.75 (391) 24	167.75 (387) 23
DEC 05	158.25 (166) 2	158.00 (166) 0	159.00 (166) 0	159.00 (166) 2	160.00 (167) 4	158.50 (167) 0	158.50 (169) 4	161.25 (169) 0	161.25 (169) 0	161.25 (169) 1
MAR 06	152.00 (39) 0	152.00 (36) 0	152.00 (36) 0	152.00 (36) 0	152.00 (36) 0	154.00 (36) 0	154.00 (36) 0	154.00 (36) 0	154.00 (36) 0	154.00 (36) 0
MAY 06	152.25 (28) 0	152.25 (28) 0	152.25 (28) 0	152.25 (28) 0	152.25 (28) 0	154.00 (28) 0	154.00 (28) 0	154.00 (28) 0	154.00 (28) 0	154.00 (28) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 22 - September 2, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production in Europe continues to decline gradually. Milk producers and handlers state that they feel that overall milk volumes are running about 1% above last year's levels for this time of the season. Although milk output is declining, manufacturing facilities in many areas of Europe remain quite active. Stocks are reported to be readily available for both domestic and international buyer interest. Up to this point, most sales activity has centered around an internal or domestic market. International buyer interest has been and continues to be unusually slow. Traders state that the summer holiday (vacation) season is winding down, which is typically a slow time anyway, thus they are hopeful that buyers will return to the market very soon. Many European traders await September 11 when supposedly the Algerian tender will be issued. Traders do not know what the volumes will be, but anticipate that they will be comparable to previous years. They state that Europe has product to meet this potential demand. The intervention year is now closed. At the most recent Dairy Management Committee meeting on August 25, intervention numbers were released which will be basically what they will be by August 31. Skim milk powder offerings during the open season totaled 16,580 MT, 90% less than last year's 164,554 MT. During the open season in 2003, offerings totaled 213,633 MT. Butter offerings during the open season totaled 142,851 MT versus 212,681 MT last year and 225,000 MT in 2003.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged to slightly lower prices. Milk production is declining seasonally, thus is churning activity. At this point, butter stocks are available for internal and international buyer need. Most sales are occurring for an internal or domestic need with international sales light. Intervention is now closed. At the Dairy Management Committee meeting on August 25, butter intervention totals were released. Since March 1, 142,851 MT of butter have been offered which compare to 212,681 MT during the 2004 open season. Traders and handlers feel that no additional volume would be offered between this release date and the end of August.

82% BUTTERFAT:	1,850 - 2,000
99% BUTTERFAT:	2,400 - 2,650

SKIM MILK POWDER (SMP): Skim milk powder markets are unsettled. Prices are unchanged to slightly lower. Traders and handlers state that stocks are available for immediate and future shipments. European traders and handlers are waiting for the Algerian tender which is scheduled for September 11. Many feel that Eastern European produced stock will be better priced than Western European stocks. Intervention for skim milk powder closed August 31. During the period of March 1 – most of August, 16,580 MT of powder were offered into the program. This 2005 offering compares to 212,681 MT in 2004 and 213,633 MT in 2003.

1.25% BUTTERFAT:	2,250 - 2,400
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WHOLE MILK POWDER (WMP): Whole milk powder prices are unchanged, although an unsettled undertone prevails. Some traders and handlers state that a slight downturn in prices is starting to develop which could stimulate buyer interest. At this time, most sales are centered around an internal market with international sales slow. The summer holiday (vacation) period is about to end which is typically a slow sales period. Traders are hopeful that buyers will return to the market place in the near term. Stocks of whole milk powder are reported to be available in both Eastern and Western regions of Europe.

26% BUTTERFAT:	2,200 - 2,350
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SWEET WHEY POWDER: European whey powder markets remain firm at unchanged prices. Stocks of whey powder are reported to be available for both domestic and international buyer interest. At this point, most sales activity is centered around an internal market with international sales light. Often, higher than desired prices are limiting international sales, but reports indicate that whey prices elsewhere in the world are firming, which may attract more European sales.

NONHYGROSCOPIC:	650 - 800
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EASTERN OVERVIEW: Milk production continues to seasonally decline. Milk volumes are reported to be heavier than last year. Handlers state that marketings are higher, but overall production is comparable with previous years. Eastern European handlers and traders are hopeful that they will be an active participant with the upcoming Algerian tender which is scheduled to be issued September 11. Eastern stocks are available and are often slightly lower in price than Western European offerings.

OCEANIA

OVERVIEW: The 2005 – 2006 milk production year in Oceania is off to a positive start. Milk producers and handlers in New Zealand are indicating that output appears to be slightly ahead of last year at this time. It is still too early for any official milk production reports, although projections remain unchanged for a 4 - 5 percent increase over last season, which would basically get New Zealand's output back to levels of 2003 – 2004. In Australia, the season is just beginning and is a few weeks behind New Zealand's. Producers and handlers in Australia continue to project a 1 – 1 1/2% increase over last season. Australian producers are hopeful that the production strength at the end of the 2004 – 2005 season will be the impetus for a positive start to the new year. As milk volumes increase, manufacturing facilities are gearing up their operations to handle the milk flow. At this time, stocks of manufactured dairy products remain light, with minimal volumes of new production clearing the region. Carry over stocks from last season are minimal, but traders and handlers feel that the safety level of carryover stocks is often at desired levels. Although there are carryover volumes, handlers and traders state that they have no carryover volumes for spot sale. New international buyer interest remains absent for most Oceania traders. Traders indicate that they anticipate this to be the case for much of the early part of the new production season or at least, until they have a better opinion on how the supply is covering committed and projected needs.

BUTTER: Oceania butter markets are generally steady at unchanged prices, although some traders and handlers are questioning sales at the top end of the reported range. Producers and handlers state that the new production season is just getting underway, thus they do not have a good feel as to how the supply/demand situation will be in the coming months. As the season develops, many indicate that a large percentage of early production is fully committed with very little, if any uncommitted at this time. Traders state that the majority of future production is committed to regular and ongoing customer needs.

82% BUTTERFAT:	1,950 - 2,400
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CHEDDAR CHEESE: Oceania cheese markets are steady at unchanged prices. Traders and handlers state that they continue to fill orders from inventoried stock from last season. Inventoried stocks are low, but handlers feel that they will have sufficient volumes until new stock is generated. At this point, the new milk production season is just getting underway, thus cheese production remains seasonally low.

39% MAXIMUM MOISTURE:	2,800 - 3,000
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SKIM MILK POWDER (SMP): Skim milk powder markets are steady at unchanged prices. The milk production season is just resuming for the 2005 – 2006 year, thus powder production remains low. Producers and handlers state that their production schedules for the upcoming months are mixed. Some state that their production schedules will be unchanged from previous years while others state that their output may be altered. Some Oceania traders and handlers reached to outside sources during the past year, supplementing their production to fulfill their contractual commitments. This adjustment was due to lighter than anticipated milk volumes and also allowed milk volumes to be directed to other products.

1.25% BUTTERFAT:	2,200 - 2,350
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WHOLE MILK POWDER (WMP): Whole milk powder markets are steady at unchanged prices. Producers and handlers anticipate production schedules during the upcoming season to be much like last year. For the most part, stocks were sufficient to fulfill commitments during the year with minimal carryover volumes into the new season. Producers, handlers, and traders state that the carryover volumes will be sufficient to bridge the gap between old and new production. Traders are not acknowledging new buyer interest at this time. As the new milk production season develops, they will be better able to assess their supply/demand situation as it pertains to new buyer needs.

26% BUTTERFAT:	2,250 - 2,350
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Exchange rates for selected foreign currencies: August 29, 2005

.8343 Canadian Dollar	.0228 Indian Rupee
.3436 Argentina Peso	.6930 New Zealand Dollar
.0922 Mexican Peso	.7527 Australian Dollar
.3011 Polish Zloty	.0090 Japanese Yen
	1.2229 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0922)= 10.8460
That is 1 US Dollar equals 10.8460 Mexican Pesos. Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2005 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 31 ::-----	::REPORT NUMBER 32 ::-----	::REPORT NUMBER 33 ::-----	::REPORT NUMBER 34 ::-----	::REPORT NUMBER 35 ::-----	:: 2005 :: Average	:: 2004 :: Average
	:: AUG 01 - 05	:: AUG 08 - 12	:: AUG 15 - 19	:: AUG 22 - 26	:: AUG 29 - 31	:: or Total	:: or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 1.6275 - 1.9700	:: 1.5475 - 1.9700	:: 1.5600 - 1.9700	:: 1.6500 - 1.9700	:: 1.6800 - 1.9700	:: 1.7886	:: 1.8861
-- Brick And/Or Muenster 5#	:: 1.9800 - 2.0000	:: 1.9250 - 1.9800	:: 1.9325 - 1.9800	:: 1.9800 - 1.9975	:: 1.9800 - 2.0125	:: 1.9751	:: 2.1311
-- Cheddar 40# Block	:: 1.8000 - 2.2650	:: 1.7250 - 2.2650	:: 1.7325 - 2.2650	:: 1.7975 - 2.2650	:: 1.8125 - 2.2650	:: 2.0176	:: 2.0859
-- Monterey Jack 10#	:: 2.0300 - 2.2650	:: 1.9650 - 2.2650	:: 1.9725 - 2.2650	:: 2.0300 - 2.2650	:: 2.0300 - 2.2650	:: 2.1342	:: 2.1908
-- Blue 5#	:: 2.2950 - 2.6900	:: 2.2200 - 2.6900	:: 2.2275 - 2.6900	:: 2.2925 - 2.6900	:: 2.3075 - 2.6900	:: 2.4776	:: 2.5386
-- Mozzarella 5 - 6#	:: 1.6275 - 2.3650	:: 1.5525 - 2.3650	:: 1.5600 - 2.3650	:: 1.6250 - 2.3650	:: 1.6400 - 2.3650	:: 1.9813	:: 2.1100
-- Grade A Swiss Cuts 6 - 9#	:: 2.4300 - 2.8700	:: 2.4300 - 2.8700	:: 2.4300 - 2.8700	:: 2.4300 - 2.8700	:: 2.4300 - 2.8700	:: 2.6500	:: 2.6988
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	:: 1.5300 - 2.0500	:: 1.4550 - 1.9750	:: 1.4625 - 1.9825	:: 1.5275 - 2.0475	:: 1.5425 - 2.0625	:: 1.7601	:: 1.8823
-- Cheddar Single Daisies	:: 1.4875 - 1.9625	:: 1.4125 - 1.8875	:: 1.4200 - 1.8950	:: 1.4850 - 1.9600	:: 1.5000 - 1.9750	:: 1.6951	:: 1.8198
-- Cheddar 40# Block	:: 1.5900 - 1.8600	:: 1.5150 - 1.7850	:: 1.5225 - 1.7925	:: 1.5875 - 1.8575	:: 1.6025 - 1.8725	:: 1.6951	:: 1.8273
-- Process 5# Loaf	:: 1.6375 - 1.8450	:: 1.5575 - 1.7650	:: 1.5700 - 1.7775	:: 1.6600 - 1.8675	:: 1.6900 - 1.8975	:: 1.7209	:: 1.8359
-- Process 5# Sliced	:: 1.6575 - 1.8725	:: 1.5775 - 1.8025	:: 1.5900 - 1.8150	:: 1.6800 - 1.9050	:: 1.7100 - 1.9350	:: 1.7486	:: 1.8739
-- Muenster	:: 1.6025 - 1.8050	:: 1.5275 - 1.7300	:: 1.5350 - 1.7375	:: 1.6000 - 1.8025	:: 1.6150 - 1.8150	:: 1.6737	:: 1.8985
-- Grade A Swiss Cuts 10 - 14#	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	:: 2.5500
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 1.5800 - 1.8375	:: 1.5000 - 1.7575	:: 1.5125 - 1.7700	:: 1.6025 - 1.8600	:: 1.6325 - 1.8900	:: 1.6884	:: 1.8047
-- Cheddar 40# Block	:: 1.5700 - 1.9225	:: 1.4950 - 1.8475	:: 1.5025 - 1.8550	:: 1.5675 - 1.9200	:: 1.5825 - 1.9350	:: 1.7164	:: 1.8541
-- Cheddar 10# Cuts	:: 1.7500 - 1.9700	:: 1.6750 - 1.8950	:: 1.6825 - 1.9025	:: 1.7475 - 1.9675	:: 1.7625 - 1.9825	:: 1.8301	:: 1.9678
-- Monterey Jack 10#	:: 1.7600 - 1.9200	:: 1.6850 - 1.8450	:: 1.6925 - 1.8525	:: 1.7575 - 1.9175	:: 1.7725 - 1.9325	:: 1.8101	:: 1.9478
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.2500 - 2.7000	:: 2.4750	:: 2.6600
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b	:: 2.0810 - 2.3992	:: 2.2451 - 2.4267	:: 2.2182 - 2.5061	:: 2.2623 - 2.4480	:: 2.2724 - 2.4582	:: 2.3288	:: 2.1696
-- Atlanta - dlvd. equiv.	:: 2.1291 - 2.3852	:: 2.2451 - 2.4432	:: 2.2521 - 2.4722	:: 2.2961 - 2.4818	:: 2.2724 - 2.4589	:: 2.3417	:: 2.1894
-- Upper Midwest - f.o.b	:: 2.0810 - 2.2731	:: 2.1130 - 2.3772	:: 2.2013 - 2.4045	:: 2.1948 - 2.3974	:: 2.0519 - 2.3741	:: 2.2498	:: 2.1417
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 0.9900 - 1.0500	:: 0.9900 - 1.0500	:: 0.9900 - 1.0500	:: 0.9900 - 1.0500	:: 1.0000 - 1.0700	:: 1.0220	:: 0.9358
-- Class III	:: 1.1000 - 1.1700	:: 1.0800 - 1.1700	:: 1.0800 - 1.1400	:: 1.0800 - 1.1400	:: 1.0800 - 1.1400	:: 1.1187	:: 0.9977
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
-- Delivered Major U.S. Cities	::19.5000 -30.0000	::19.5000 -30.0000	::19.5000 -30.0000	::19.5000 -30.0000	::19.5000 -30.0000	:: 24.7500	:: 26.0000

MONTHLY SUMMARY AND AVERAGES FOR AUGUST 2005 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 31 ::-----	::REPORT NUMBER 32 ::-----	::REPORT NUMBER 33 ::-----	::REPORT NUMBER 34 ::-----	::REPORT NUMBER 35 ::-----	:: 2005 :: Average	:: 2004 :: Average
	:: AUG 01 - 05	:: AUG 08 - 12	:: AUG 15 - 19	:: AUG 22 - 26	:: AUG 29 - 31	:: or Total	:: or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.9625 - 1.0225	:: 0.9600 - 1.0325	:: 0.9600 - 1.0325	:: 0.9800 - 1.0450	:: 0.9800 - 1.0425	:: 1.0009	:: 0.8814
-- Mostly	:: 0.9800 - 1.0100	:: 0.9800 - 1.0150	:: 0.9800 - 1.0150	:: 0.9900 - 1.0150	:: 0.9900 - 1.0150	:: 0.9987	:: 0.8623
-- High Heat	:: 0.9975 - 1.1000	:: 1.0075 - 1.1000	:: 1.0075 - 1.1000	:: 1.0200 - 1.1000	:: 1.0175 - 1.1000	:: 1.0547	:: 1.0249
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.9200 - 0.9800	:: 0.9250 - 0.9800	:: 0.9300 - 0.9800	:: 0.9300 - 0.9800	:: 0.9300 - 1.0500	:: 0.9579	:: 0.8389
-- Mostly	:: 0.9300 - 0.9450	:: 0.9350 - 0.9625	:: 0.9350 - 0.9650	:: 0.9350 - 0.9750	:: 0.9350 - 0.9725	:: 0.9486	:: 0.8411
-- High Heat	:: 0.9600 - 0.9800	:: 0.9600 - 0.9950	:: 0.9600 - 0.9975	:: 0.9700 - 1.0100	:: 0.9700 - 1.0050	:: 0.9802	:: 0.9218
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.2725 - 0.2875	:: 0.2775 - 0.2925	:: 0.2775 - 0.2925	:: 0.2825 - 0.2975	:: 0.2825 - 0.3000	:: 0.2858	:: 0.2143
-- Mostly	:: 0.2725 - 0.2825	:: 0.2775 - 0.2875	:: 0.2775 - 0.2875	:: 0.2825 - 0.2975	:: 0.2825 - 0.2975	:: 0.2840	:: 0.2178
-- West (f.o.b.)	:: 0.2900 - 0.3325	:: 0.2900 - 0.3225	:: 0.2900 - 0.3225	:: 0.2900 - 0.3400	:: 0.3000 - 0.3400	:: 0.3110	:: 0.2307
-- Mostly	:: 0.3000 - 0.3200	:: 0.3000 - 0.3200	:: 0.3000 - 0.3200	:: 0.3000 - 0.3200	:: 0.3100 - 0.3200	:: 0.3107	:: 0.2158
-- Northeast (f.o.b.)	:: 0.2775 - 0.3000	:: 0.2825 - 0.3000	:: 0.2875 - 0.3025	:: 0.2875 - 0.3050	:: 0.2950 - 0.3075	:: 0.2939	:: 0.2450
-- Southeast (Delvd)	:: 0.2950 - 0.3175	:: 0.3025 - 0.3275	:: 0.3075 - 0.3325	:: 0.3075 - 0.3325	:: 0.3150 - 0.3350	:: 0.3166	:: 0.2520
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.8950 - 0.9200	:: 0.8950 - 0.9175	:: 0.8950 - 0.9175	:: 0.8600 - 0.9150	:: 0.8575 - 0.8925	:: 0.8984	:: 0.6082
-- Mostly	:: 0.8950 - 0.9200	:: 0.8950 - 0.9175	:: 0.8950 - 0.9050	:: 0.8650 - 0.9000	:: 0.8625 - 0.8825	:: 0.8956	:: 0.6233
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.2400 - 0.2600	:: 0.2500 - 0.2675	:: 0.2500 - 0.2675	:: 0.2500 - 0.2675	:: 0.2500 - 0.2700	:: 0.2570	:: 0.1930
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.9500 - 1.0400	:: 0.9500 - 1.0450	:: 0.9500 - 1.0450	:: 0.9500 - 1.0450	:: 0.9500 - 1.0450	:: 0.9970	:: 1.0934
-- West (f.o.b.)	:: 0.9050 - 0.9625	:: 0.9050 - 0.9625	:: 0.9100 - 0.9650	:: 0.9150 - 0.9650	:: 0.9150 - 0.9650	:: 0.9367	:: 1.0514
-- Mostly	:: 0.9100 - 0.9200	:: 0.9150 - 0.9200	:: 0.9150 - 0.9200	:: 0.9150 - 0.9200	:: 0.9200 - 0.9250	:: 0.9176	:: 1.0377
-- Northeast (f.o.b.)	:: 0.9300 - 1.0050	:: 0.9300 - 1.0050	:: 0.9500 - 1.0050	:: 0.9500 - 1.0050	:: 0.9500 - 1.0050	:: 0.9732	:: 1.0436
-- Southeast (Delvd)	:: 0.9800 - 1.0600	:: 0.9800 - 1.0600	:: 0.9800 - 1.0600	:: 0.9800 - 1.0600	:: 0.9800 - 1.0600	:: 1.0200	:: 1.0707
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.2500 - 1.4100	:: 1.3125 - 1.3800	:: 1.3125 - 1.4900	:: 1.3125 - 1.4900	:: 1.3125 - 1.4950	:: 1.3741	:: 1.3634
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1800 - 0.2200	:: 0.1875 - 0.2200	:: 0.1875 - 0.2200	:: 0.1875 - 0.2300	:: 0.1875 - 0.2400	:: 0.2053	:: 0.2307
-- Mostly	:: 0.1900 - 0.2100	:: 0.1900 - 0.2100	:: 0.1900 - 0.2100	:: 0.1900 - 0.2100	:: 0.1900 - 0.2150	:: 0.2003	:: 0.2175
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 3.2700 - 3.4500	:: 3.2700 - 3.4500	:: 3.2700 - 3.4500	:: 3.2700 - 3.4500	:: 3.2700 - 3.4500	:: 3.3600	:: 2.6909
-- Nonrestricted - Acid	:: 3.2700 - 3.4000	:: 3.2700 - 3.4000	:: 3.2700 - 3.4000	:: 3.2700 - 3.4000	:: 3.2700 - 3.4000	:: 3.3350	:: 2.7182

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR AUGUST 2005

COMMODITY	::REPORT NUMBER 31::		REPORT NUMBER 32::		REPORT NUMBER 33::		REPORT NUMBER 34::		REPORT NUMBER 35::		2005 *	2004 *
	::-----::		::-----::		::-----::		::-----::		::-----::		Monthly	Monthly
	:: AUG 1 - 5		:: AUG 8 - 12		:: AUG 15 - 19		:: AUG 22 - 26		:: AUG 29 - 31		Average	Average
BUTTER*												
-- GRADE AA												
--Monday	::	1.5900	::	1.6875	::	1.7075	::	1.6950	::	1.7000	::	:
--Tuesday	::		::		::		::		::		::	:
--Wednesday	::	1.6325	::	1.7000	::	1.6600	::	1.6925	::	1.7200	::	:
--Thursday	::		::		::		::		::		::	:
--Friday	::	1.7300	::	1.6925	::	1.6975	::	1.7000	::		::	1.6861 : 1.5408
--Weekly Average**	::	1.6508	::	1.6933	::	1.6883	::	1.6958	::		::	:
CHEESE*												
-- BARRELS												
--Monday	::	1.3400	::	1.3600	::	1.4025	::	1.4800	::	1.4800	::	:
--Tuesday	::	1.3400	::	1.3600	::	1.4450	::	1.4800	::	1.4800	::	:
--Wednesday	::	1.3400	::	1.3600	::	1.4550	::	1.4800	::	1.4800	::	:
--Thursday	::	1.3400	::	1.3600	::	1.4650	::	1.4800	::		::	:
--Friday	::	1.3800	::	1.3600	::	1.4800	::	1.4800	::		::	1.4186 : 1.5427
--Weekly Average**	::	1.3480	::	1.3600	::	1.4495	::	1.4800	::		::	:
-- 40# BLOCKS												
--Monday	::	1.3600	::	1.3700	::	1.4250	::	1.4700	::	1.4700	::	:
--Tuesday	::	1.3575	::	1.3725	::	1.4650	::	1.4625	::	1.4700	::	:
--Wednesday	::	1.3575	::	1.3750	::	1.4425	::	1.4400	::	1.4900	::	:
--Thursday	::	1.4000	::	1.3950	::	1.4350	::	1.4700	::		::	:
--Friday	::	1.4025	::	1.4025	::	1.4700	::	1.4700	::		::	1.4249 : 1.5734
--Weekly Average**	::	1.3755	::	1.3830	::	1.4475	::	1.4625	::		::	:
NONFAT DRY MILK*												
-- EXTRA GRADE												
--Monday	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	:
--Tuesday	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	:
--Wednesday	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::	:
--Thursday	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::		::	:
--Friday	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::		::	0.9625 : 0.8500
--Weekly Average**	::	0.9625	::	0.9625	::	0.9625	::	0.9625	::		::	:
-- GRADE A												
--Monday	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	:
--Tuesday	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	:
--Wednesday	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::	:
--Thursday	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::		::	:
--Friday	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::		::	0.9825 : 0.8500
--Weekly Average**	::	0.9825	::	0.9825	::	0.9825	::	0.9825	::		::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

AUGUST AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in August 2005 was unchanged at 141. Compared with August 2004, the index was up 6 points (4.4 percent). The index of prices received by farmers for dairy products was unchanged during the month of August 2005 at 113. Compared with August 2004, the index was down 1 point (0.9 percent).

Prices received by farmers in August with changes from July were: for All Milk, \$14.70 per hundredweight (cwt.), down \$.10; Fluid Grade Milk, \$14.80 per cwt., down \$.10; and for Manufacturing Grade Milk, \$14.00 per cwt., down \$.20.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., AUGUST 2005 WITH COMPARISONS

STATE	All-milk price 1/ 3/				Milk cows 5/		Cows 6/		All hay baled 7/	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JULY		AUGUST		AUGUST		AUGUST		AUGUST	
	2005 2/	2004 2/	2005 4/	2004 2/	2005	2004	2005 7/	2004 8/	2005	2004
CA	13.83	13.85	13.90	13.65	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		49.60	52.30	130.00	108.00
ID	14.30	13.90	14.10	13.80			47.30	52.90	109.00	108.00
MI	15.00	16.90	15.00	15.20			53.00	55.00	90.00	95.00
MN	15.00	15.90	14.40	15.20			54.00	57.90	62.00	61.00
NM	14.00	15.50	14.20	14.00			53.80	58.60	130.00	117.00
NY	15.00	17.50	14.90	15.60			---	---	104.00	98.00
PA	16.30	18.70	16.30	16.50			50.90	53.70	130.00	129.00
TX	15.00	17.00	15.20	15.30			52.60	53.50	81.00	77.00
WA	14.80	16.30	14.80	14.90			---	---	112.00	104.00
WI	15.30	16.30	14.70	15.50			51.30	55.70	109.00	70.00
U.S.	14.80	16.10	14.70	14.90			51.90	54.70	99.70	89.80

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., AUGUST 2005 WITH COMPARISON

ITEM	AUGUST 2004	JULY 2005 1/	AUGUST 2005 2/
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	14.90	14.80	14.70
Fluid grade milk	14.90	14.90	14.80
Manufacturing grade milk	14.20	14.20	14.00
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	120	118	117
Prices received by farmers for dairy products	114	113	113
Prices paid by farmers for commodities and services, interest taxes, and wage rates	135	141	141
Prices paid by farmers for production items	133	140	140
Prices paid by farmers for feed	119	123	126
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk 3/	2.93	2.93	3.08

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (8/05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
MAY 2005	190.6	2.4	183.3	-1.4	185.8	-5.4	184.1	0.3	185.1	-8.4	185.0	2.2
JUNE 2005	190.4	2.2	181.0	-4.1	182.7	-10.5	182.6	-1.7	178.9	-14.2	185.2	1.6
JULY 2005	190.8	2.1	181.6	-3.2	182.5	-8.6	183.3	-1.8	184.7	-9.8	184.7	0.5
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Dollars											
MAY	3.207	3.374	3.409	3.758	3.776	4.052	4.414	4.406	3.948	3.744		
JUNE	3.122	3.574	3.107	3.937	3.829	4.090	4.440	4.550	3.619	3.877		
JULY	3.090	3.479	3.140	3.753	3.895	4.077	4.377	4.559	3.773	4.026		

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—APRIL-JUNE AND ANNUAL 2004-2005 ^{1/}

Item	Apr.-Jun. 2004	Percent change ^{2/}	Apr.-Jun. 2005	Percent change ^{2/}	Jan.-Jun. 2004	Percent change ^{2/}	Jan.-Jun. 2005	Percent change ^{2/}
	Million Pounds							
MILK								
Production	43,824	-0.4	45,662	4.2	86,583	-1.1	88,904	3.2
Marketings	43,546	-0.4	45,387	4.2	86,026	-1.1	88,357	3.3
Beginning Commercial Stocks ^{3/}	10,065	-16.9	9,438	-6.2	8,333	-15.8	7,154	-14.1
Imports ^{3/}	1,768	49.1	1,056	-40.3	2,963	22.2	2,394	-19.2
Total Supply ^{4/}	55,379	-2.9	55,881	0.9	97,322	-2.0	97,905	1.1
Ending Commercial Stocks ^{3/}	11,554	-14.0	11,201	-3.1	11,554	-14.0	11,201	-3.1
Net Removals ^{3/}	16	-97.2	-6	-137.5	-83	-108.7	-34	-59.0
Commercial Disappearance ^{4/}	43,809	1.9	44,686	2.0	85,851	1.1	86,738	1.6
SELECTED PRODUCTS ^{5/}								
Butter	303.2	12.2	300.0	-1.1	593.5	1.7	586.8	-0.5
American Cheese	920.0	2.8	925.8	0.6	1,847.2	3.4	1,852.6	0.8
Other Cheese	1,358.4	3.0	1,402.8	3.3	2,718.4	5.2	2,810.5	4.0
Nonfat Dry Milk	353.7	57.1	357.1	1.0	680.6	71.8	698.0	3.0
Fluid Milk Products ^{6/}	13,084.2	-2.7	13,260.7	1.3	27,067.7	-1.3	26,924.4	0.0

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 29 - SEPTEMBER 2			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 08/26/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	347,672,675	-0-	583,570,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	347,553,627	-0-	629,961,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 29-SEPTEMBER 2, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.7	35.1
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	75.5	4,045.5
CUMULATIVE JAN. 1 - SEP. 2, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	50.0	2,696.3

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	8,493,089	4.2	2.5
WEST	-0-	-42,309	-0-	-0-	29,415,099	334,776,764	92.4	96.3
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.2
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	347,553,627	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/13/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.6	5.8	2.5	12.6	2.5	0.5	N.A.	13.3	1.6	40.4	1,385.6
2004-Dairy	N.A.	0.7	6.6	2.1	18.8	2.9	0.7	N.A.	11.3	1.7	45.9	1,469.9
2005-All cows	N.A.	0.7	7.2	10.9	24.4	11.9	8.9	N.A.	15.0	2.0	83.6	2,934.7
2004-All cows	N.A.	0.8	8.1	11.7	28.4	12.9	10.1	N.A.	13.3	4.4	92.2	3,155.2

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70			
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95				
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60				
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm